

## STARK CALLS FOR THOROUGH INVESTIGATION OF PLANNED ANTHEM-WELLPOINT MERGER

Friday, 23 October 2009

Today, Rep. Pete Stark (D-CA), Senior Democrat on the Ways and Means Health Subcommittee, joined fellow Ways and Means Democrats, Reps. Charles Rangel (D-NY), Jim McDermott (D-WA) and Max Sandlin (D-TX), in issuing a letter to the Federal Trade Commission seeking an investigation into the proposed mega-merger of Anthem, Inc. and Wellpoint Health Networks, Inc. The following is the text of the letter:

CONGRESS OF THE UNITED STATES

WASHINGTON, DC 20515

November 6, 2003

The Honorable Timothy J. Muris

Federal Trade Commission

600 Pennsylvania Avenue

Washington, DC 20580

Dear Mr. Chairman:

On October 27, 2003, officials from Anthem, Inc. announced an agreement to purchase Wellpoint Health Networks, Inc. to form the largest health insurer in the nation. Equally important, it will also be the largest for-profit health insurer. If approved, this combined entity will cover 26 million members. We are writing to request that the Federal Trade Commission (FTC) thoroughly investigate the potential impact of this acquisition on the health insurance market.

This acquisition reflects a trend toward consolidation of the health insurance industry that began in the late 90's. According to recent testimony presented by the American Medical Association to the Federal Trade Commission, over half of all commercially insured Americans are

already covered by the ten largest insurers. In addition, many areas of the country meet the definition of a highly concentrated market in which one insurer has a market share in excess of 30%. The creation of a combined Anthem-Wellpoint will greatly exacerbate such consolidation.

#### Dominant

health insurers, particularly those that are for-profit, have the potential -- if not the incentive -- to use their market power to establish highly favorable bargaining positions with providers, increase premiums to employers and individuals, and generate higher profits. Recent consolidation may well have contributed to the double-digit increases in health insurance premiums we have experienced over the past several years. We are concerned that the combining of the financial assets and market power of Anthem-Wellpoint would further increase consolidation and make it even more difficult for individuals to have access to affordable health insurance.

#### Equally

troubling about the proposed Wellpoint acquisition by Anthem is that it combines the resources of two organizations with business strategies emphasizing conversion of traditional non-profit Blue Cross/Blue Shield franchises into for-profit entities. Between them, they have already converted 13 plans to for-profit status. The non-profit Blue Cross/Blue Shield network was created in the Depression era to ensure that individuals of modest means would have access to affordable health insurance. While these plans have changed over the years to offer health insurance products to meet the needs of a wide range of socioeconomic categories, their focus has, in general, remained on serving the needs of the community. These plans have received preferential tax treatment in recognition of this public service.

#### We

are concerned that the sizable market share and financial resources created through this acquisition would radically increase the future for-profit conversion of additional Blue Cross/Blue Shield programs. Such conversions would change these plans' focus from meeting community needs to meeting needs of Wall Street.

#### As

a result of these concerns of anti-competitive consolidation and increased for-profit conversion of the Blue Cross/Blue Shield network, we are urging you to review the proposed acquisition of Wellpoint by Anthem very closely to ensure that it will not negatively affect the competition in the health insurance market and the welfare of the general public.

Sincerely,

Pete Stark

Member of Congress

Charles Rangel

Member of Congress

Jim McDermott

Member of Congress

Max Sandlin

Member of Congress

cc: Insurance Commissioners of the 13 states affected by the  
acquisition. Attorneys General of the 13 states affected by the acquisition.